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OFFICE OF RESEARCH AND REPORTS

BRIEFING PAPER

1957

Page

| | |
|------------------------------|----|
| I. Introduction | 1 |
| II. Economic Intelligence | 4 |
| III. Geographic Intelligence | 10 |
| IV. Interagency Coordination | 13 |

TAB A 1957 Plaudits

ATTACHMENT A Statistical Summary

- Table 1. Reports Completed
- Table 2. Maps and Charts Completed
- Table 3. Projects in Progress
- Table 4. Maps and Charts in Progress

ATTACHMENT B Time Distribution Summary

- Table 1. Distribution of Research by Geographic Area
- Table 2. Man-hours Applied to Project Research, Consultation, and Support of Other CIA Components and to Other Agencies (FY 1957--1st half - FY 1958--1st half)

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Introduction

As the past year ended, the Soviet Union's position vis-a-vis the Western World, as viewed by the public, was significantly strengthened. The Soviets attained a major psychological advantage with their successes in the missile field, as evidenced by the first earth satellites and the reported ICBM launchings, as well as by continued expansion in the Soviet nuclear energy field. This was followed by a greatly increased awareness on the part of the West regarding the magnitude, character, and intent of the Sino-Soviet Bloc's offensive in underdeveloped and uncommitted non-Bloc areas of the world where, under the guise of economic aid and mutually beneficial trade, the Bloc countries were actively waging the "cold war" to gain political advantage. These activities have dramatized the necessity for assessing the size of these programs, their impact on the Bloc economies, and the ability of these economies to support anticipated or announced objectives.

On the other hand, in both the USSR and Communist China the rapid pace of industrial development has been slowing down and serious difficulties have been experienced in a number of key industries. These difficulties were in part responsible for the somewhat embarrassed abandonment by the Soviets of the Sixth Five-Year Plan in favor of a Seven-Year Plan to begin in 1959. In like manner, the Communist

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S-E-C-R-E-T

Chinese suggested revisions in their second Five-Year Plan proposals. In the Stalinist tradition, such lags in industry would have called for greater consumer privation and even larger allocations to heavy industry. However, in the USSR Khrushchev's response was reflected in increased investment for housing and agriculture -- the latter spot-lighted by his promise to overtake the U.S. in milk and meat production within the next few years. Widespread changes in economic organizations and management also ensued. In differing degrees, economic controls and daily decision-making were decentralized, with local planners and plant management obtaining greater authority. It is still too early to predict the importance of these and other recent moves on the basic nature of the Soviet and Communist Chinese political-economic systems and on the ability of those systems to sustain high levels of economic growth.

Looking at the USSR external economic activity, it is clear that the Soviet leadership's concern with the out-breaks in Hungary and Poland during late 1956 persisted through 1957. Sizeable economic assistance has been extended from Moscow to these two countries as well as to the other Satellites in an effort to insure stability and to strengthen Soviet authority, influence, and control. Recurring signs of consumer dissatisfaction within the Satellites are receiving close attention as well.

All these evidences of growing strengths on the one hand and developing weaknesses on the other must be carefully weighed in order

S-E-C-R-E-T

that the magnitudes, trends, and implications of these changes can be properly judged and evaluated for US policy planners. Our Office of Research and Reports provides the economic intelligence essential to this support. In describing the work of this Office, I shall mention, in addition to its economic and geographic intelligence effort, some other activities which include its coordinating responsibility and its intelligence support to economic defense.

- 3 -

S-E-C-R-E-T

S-E-C-R-E-T

Economic Intelligence

An adequate assessment of the complex and closely-interrelated problems of the economies of the Sino-Soviet Bloc requires an integrated approach to the research effort. Other components of the intelligence community are not equipped to conduct Sov-Bloc economic research on an over-all basis, nor are they charged with this responsibility; their economic research efforts are oriented toward their individual departmental interests. By inter-agency agreement and DCI directive the primary responsibility for economic research on the Sino-Soviet Bloc now rests squarely in the Office of Research and reports.

To carry out this responsibility, ORR must direct its intelligence effort at all levels of the economy and in varying degrees of intensity. The aftermaths of the economic and political disruptions in Eastern Europe in late 1956 clearly supported the continued focus of attention by the Office in 1957 on the stability and cohesion of the Soviet and Satellite economies. Our analyses have emphasized exploration of the economic factors which could lead to increased disturbances in the European Satellites in the coming years. Considerable attention was also given to the substantial re-orientation of international trade among Bloc members and between them and Free World countries. To provide current appraisals of the continuing unstable situation in this area, our research effort on Eastern Europe, which had been augmented on a priority basis in 1956, was

- 4 -

S-E-C-R-E-T

S-E-C-R-E-T

maintained at a high level in 1957.

The Office has continued to intensify its economic research on Communist China. We are engaged in a program of complementary and interlocking research projects dealing with the Chinese economy. This program includes the study and evaluation of the Chinese potential for industrial growth, and an evaluation of all available information on the continued dependence of the Chinese Communists on the technical assistance, plant equipment, and other capital goods being furnished by the Soviet Union and the European Satellites. The feasibility of new and ambitious Chinese Communist plan goals is also under rigorous scrutiny.

In 1957 this Office devoted an important part of its research effort to analysis of the implications of an increasing body of evidence indicating a slowing down of the rate of economic growth in the USSR. Even before the Soviet announcements of the substitution of a new 7-year plan to replace the Sixth Five Year Plan and of the modest long-range economic goals for 1972, ORR had provided policy-makers with evidence of a slowing down in industrial growth. Likewise, our analyses of economic administration in the USSR had revealed the existence of serious difficulties - difficulties made manifest by the sweeping industrial reorganization that took place in July.

In response to, and, indeed, in anticipation of, the dramatic

- 5 -

S-E-C-R-E-T

S-E-C-R-E-T

*economic factors
affecting production and
deployment of guided missiles*

evidence of Soviet capabilities in the guided missile field, ORR regrouped its resources to provide for an intensive research program on the economic aspects of Soviet missile programs. Similarly, the research effort on Sov-Bloc atomic energy activities substantially increased. The stepped-up economic research program on missiles and nuclear energy has already resulted in important contributions to intelligence on these fields.

During the year Sino-Soviet Bloc countries intensified their efforts to penetrate Free World underdeveloped countries through large-scale trade and economic aid programs. ORR continues to monitor developments in this field, and as a result has come to be relied on by policy-making groups, such as the Committee for Foreign Economic Policy, to provide, in cooperation with the Department of State, most of the intelligence on the Sov-Bloc economic offensive.

How are the problems of the Soviet Bloc economies analyzed, and how are the answers obtained by an integrated and coordinated approach? While Soviet announcements and recent statistical publications in certain non-strategic fields have been of some help, the Office must continue its intensive analysis of fragmentary and conflicting data obtained overtly and covertly from innumerable sources in order to develop the economic intelligence on the Sino-Soviet Bloc that is of national security importance and is required both in production of National Intelligence Estimates and in a

- 6 -

S-E-C-R-E-T

S-E-C-R-E-T

variety of special studies in response to other high priority requests. Further, it provides guidance to the collection activities of CIA and other agencies. The complexity of the job demands the welding together of all the various skills brought into the organization. The economist, the technical expert, the country and language specialist, all are vital parts of the research team. All need special additional training, which is expensive and time consuming, but absolutely necessary.

Attention is being given to the development of new techniques of analysis in order to make maximum use of the factual information which is constantly flowing into the Office. Pursuing the successful analytical approach developed in the past two years for making cost estimates of Soviet military programs, an effort is now being made to extend this price and cost analysis to our estimates of present and future Soviet atomic energy developments. These costs will be checked against the capability of the Soviet economy to provide for the facilities and new investments indicated. These analyses take the form of rigorous inspection of Soviet cost and price relationships as an important step toward the determination of the principal areas of Soviet industrial strength and weakness. It is anticipated that the results of these studies may make it possible for us to forecast production trends in the Soviet domestic economy and, equally important, to forecast the composition and direction of


- 7 -


S-E-C-R-E-T

S-E-C-R-E-T

Soviet goods which may move into world trade in competition with US and other Western production in Free World countries.

Concurrently with its comprehensive economic research, the Office of Research and Reports evaluates and interprets current economic developments within the Bloc countries viewed in their relation to the Free World. A special staff, working in close cooperation with the Office of Current Intelligence and supported by appropriate research components, prepares timely reports of these developments for inclusion in the Agency's and intelligence community's output of current intelligence. The same mechanism is used in marshalling the full support of this Office behind the National Indications Center and the IAC Watch Committee.

25X1B4d Other studies yielding highly factual information of broad 25X1B4d interest to the community are based on 



- 8 -

S-E-C-R-E-T

S-E-C-R-E-T

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Each of our economic research components periodically calls upon a small panel of cleared consultants drawn from among top executives in American industry. Through these panels, we obtain an excellent independent check on the soundness of our estimates and advice on ways to simplify or economize in our research procedures.

The annual economic research program of the Office, aimed as it is at serving many different interests and purposes, is necessarily complex. Past experience, now analyzed quantitatively through the use of IBM methods, is depended on heavily in the quarterly program reviews and in the development of new programs. Particular attention is given to the Priority National Intelligence Objectives and to such advice as our principal consumers are able to provide concerning their requirements in the months to come. Formulation of the program begins with full provision for support to the production of scheduled and anticipated National Intelligence Estimates. Provision must also be made for scheduled contributions to the National Intelligence Surveys, where this Office has the responsibility for economic sections dealing with the Sino-Soviet Bloc. Similarly, certain aspects of our work in support of other agencies are scheduled in response to

- 9 -

S-E-C-R-E-T

S-E-C-R-E-T

community-wide deficiencies in economic intelligence as identified by the Economic Intelligence Committee. In addition, we are aware from experience that a substantial portion of our research time will have to be spent in meeting "crash" or emergency requests from various high-level consumers.

It is in this manner that the Office of Research and Reports provides the necessary intelligence on economic activities and trends of the countries within the Sino-Soviet Bloc.

Geographic Intelligence

We maintain within our Office of Research and Reports a group of competent geographic analysts and photo intelligence specialists who provide research and technical support to all parts of the Agency, and contribute substantially to the National Intelligence Surveys Program.

A major part of the work of the geographic group, mostly in the form of geographic intelligence reports and maps, is undertaken in direct support of operations planning and field activities, either of the Agency or the Armed Services. On the accuracy of this effort depends the lives of individuals who are either to be rescued from hostile territory or put into hostile territory to accomplish operational missions. For instance, a drop zone selected in the Far East was used by covert operational personnel and the selection

- 10 -

S-E-C-R-E-T

S-E-C-R-E-T

was highly commended by the people doing the drop. Air Force crew members have been briefed, preparatory to special missions, using the geographic reports prepared by this Office on how to evade or escape should USAF planes crash land behind enemy lines. There have been several reports from the field to the effect that lives have been saved because of the accuracy of these and similar briefing materials. Another type of report prepared by this group is the map and textual analysis of important operational targets and safe approaches to them. Still other studies deal with the distribution, characteristics and attitudes of minority groups living within the boundaries of the Bloc. These are used for operational and psychological warfare purposes.

During the past year, current geographic intelligence reports and briefings on Antarctica and on the USSR operations in the Antarctic have been produced to analyze Soviet achievements and long-range intentions as they may affect United States interests.

Reconnaissance and photographic intelligence continue to increase in national intelligence interest and are now more important to the United States by many orders of magnitude than ever before. The scope and degree of our intelligence dependence upon information obtained from aerial photography is clearly indicated by the paramount position suggested for it by the President in his "open skies" proposal to the USSR for mutual air inspection. Currently, the

- 11 -

S-E-C-R-E-T

S-E-C-R-E-T

increasing volume of aerial and ground photography, which is being obtained by United States forces on a global basis, continues to provide detailed answers to questions regarding Communist capabilities in potential areas of operations. CIA, in increasingly closer cooperation with the U.S. Air Force, Navy, and Army, continues to expand its utilization of this growing volume of photography to assist in the preparation of current intelligence reports, national estimates, and research studies.

Analyses are undertaken in direct support of the IAC Watch Committee. Study of Soviet developments in the field of guided missiles has been aided by ground photography.

As a result of the increasing volume of reconnaissance photography being received in the United States and the intensified demands within CIA for comprehensive utilization of it, the capacity of the CIA photographic intelligence has been further expanded.

Experience has shown that one of the most effective ways of presenting intelligence is to make extensive use of specially constructed maps. Our cartographic unit within the Office plans and prepares these intelligence maps for inclusion in CIA reports, National Intelligence Estimates, National Intelligence Surveys, and for many other purposes including covert planning and operations.

An extensive map library and map reference facility is also maintained for use by all authorized Government officials. Its

S-E-C-R-E-T

S-E-C-R-E-T

specialized collection of foreign maps is kept current through a coordinated and highly effective interagency map procurement program that reflects the requirements of the several Government agencies.

Interagency Coordination

In carrying out CIA's responsibilities for coordinating economic intelligence relating to national security, as directed by the National Security Council, the Office of Research and Reports plays an active role in the work of the interagency Economic Intelligence Committee (EIC), established in 1951 under CIA chairmanship. The membership of this committee is made up of the IAC agencies which produce economic intelligence, i.e. the Department of State; the Departments of the Army, Navy, and Air Force; the Joint Staff (JCS); and CIA. A number of non-IAC agencies are associate members, including the Departments of Agriculture, Commerce, and Interior, the International Cooperation Administration, and others. The Office of Research and Reports provides secretariat services for the main committee and for the 13 subcommittees, as well as for all standing and ad hoc working groups.

Among the principal responsibilities of the EIC is to produce or arrange for the production of agreed interagency reports on selected economic intelligence matters of major importance. For example, biweekly and periodic summary reports on Sino-Soviet Bloc

- 13 -

S-E-C-R-E-T

S-E-C-R-E-T

economic penetration efforts in Free World underdeveloped areas are produced and distributed throughout the US Government to key officials and offices, including principal overseas posts. Periodic coordinated reports have been produced on the size, composition and transport utilized in Communist China's foreign trade. These reports have been principal reference works within the Government on such questions as Communist China's dependence on imports from Bloc and non-Bloc sources.

The EIC reviews systematically the economic intelligence effort within the US Government to assist in identifying priority deficiencies in research and collection and in avoiding unnecessary duplication by the individual agencies. The survey listings of the EIC which periodically report the status of internal and external (contractual) US Government economic intelligence studies and related research on the Sino-Soviet Bloc and on Free World underdeveloped areas involved in Bloc economic penetration efforts represent one means by which duplication in research programming is reduced. Further, as a guide for economic intelligence collection and production, statements of "Priority National Economic Intelligence Objectives" are issued as a means of identifying and expanding the economic aspects of the IAC-issued "Priority National Intelligence Objectives". Proposals for external economic research contracts amounting to \$5,000 or more are reviewed by the EIC, which forwards comments and suggestions

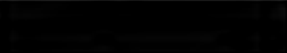
- 14 -

S-E-C-R-E-T

S-E-C-R-E-T

to the sponsoring agencies for their guidance. Through the EIC mechanism, the Office of Research and Reports, as the organization primarily responsible for providing intelligence on the economies of the countries of the Sino-Soviet Bloc, obtains guidance in the continuing re-examination of its own research program. The several EIC subcommittees provide technical advice and suggestions to the IAC Ad Hoc Committee on Exchanges in connection with proposed exchange visits of Soviet and US professional and technical personnel.

25X1B0b1 Continued efforts are directed by the EIC toward improved coordination of collection requirements. Through such activities as the

 Economic Reporting Guidance Programs systematic guidance is provided to officials traveling within and reporting on Bloc countries.

The CIA also produces and coordinates intelligence in support of the US economic defense program. ORR represents CIA on the Economic Defense Advisory Committee (EDAC) and chairs the interagency Economic Defense Intelligence Committee (EDIC) established under it. In this way, not only the knowledge of ORR and the rest of CIA but also that of other intelligence agencies contribute to the intelligence of economic defense activities.

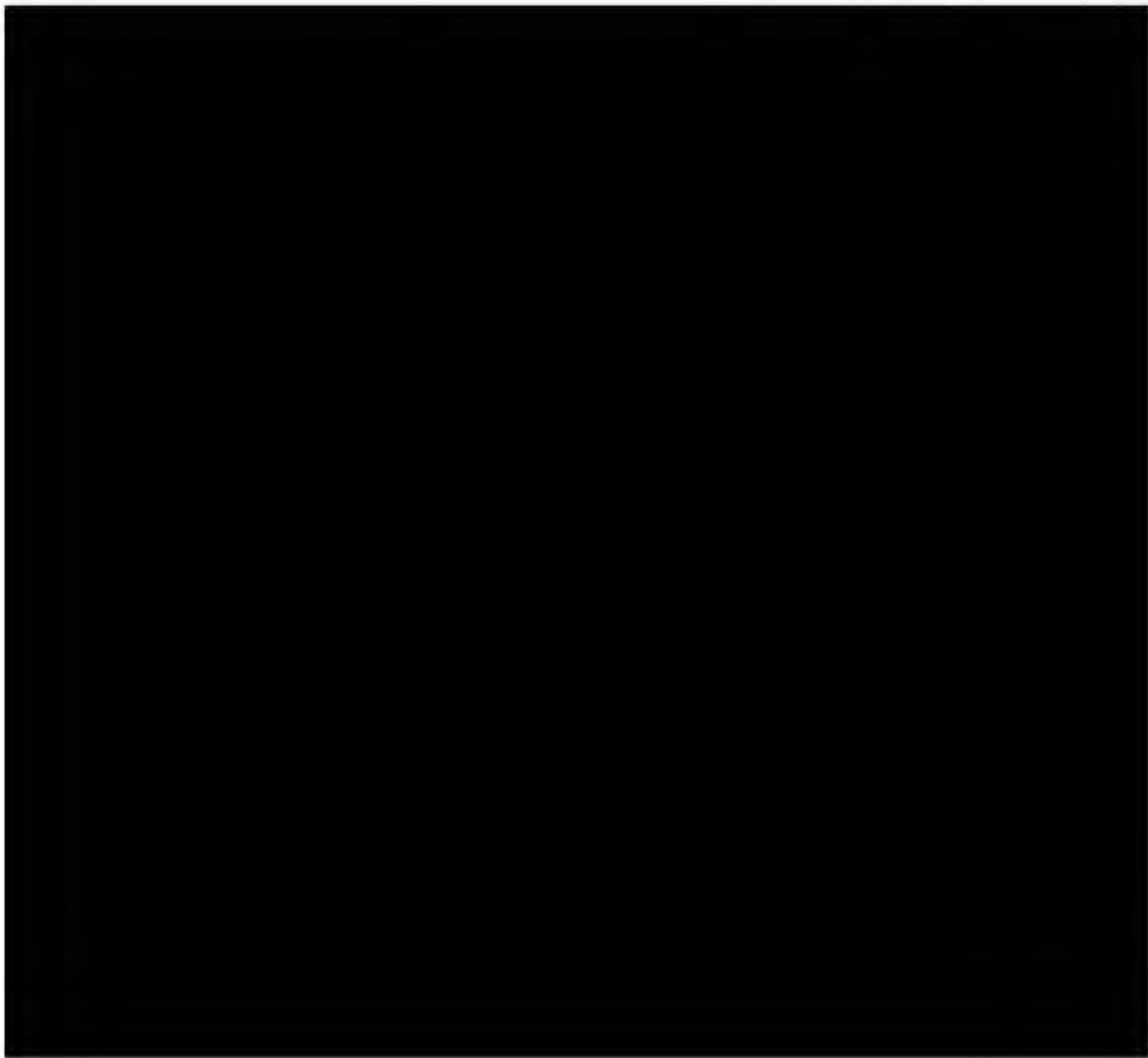
Under the NSC directive on economic defense which emphasized enforcement of controls, CIA, through ORR, has responsibility for

- 15 -

S-E-C-R-E-T

S-E-C-R-E-T

25X1B4d providing action agencies with intelligence on illegal transactions and other efforts to circumvent controls. The staff coordinating and otherwise providing this intelligence support by CIA in the field of economic defense has been reduced to a minimum level adequate to handle the changing priority demands of the program.



- 16 -

S-E-C-R-E-T

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S-E-C-R-E-T



ORR/CIA
19 February 1958

- 17 -

S-E-C-R-E-T

S-E-C-R-E-T

1957 PLAUDITS

1. From Commandant, Industrial College of the Armed Forces to DCI, 14 March 1957, expressing sincere thanks for the participation and assistance of ORR personnel in seminars conducted at the College. He remarked that their contributions enhanced the education program and aided in the accomplishment of the mission of the College. (UNCLASSIFIED)
2. From Assistant Secretary of Defense for International Affairs to Chairman, Council on Foreign Economic Policy, 6 December 1957 regarding Department of Defense views on the problem of Soviet Economic Penetration. The Assistant Secretary cited the publication of the reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" as providing "an excellent foundation of facts of the situation and a delineation of certain Soviet action patterns." (CONFIDENTIAL)
3. From Commandant, US Army War College to Chief, Economic Research Area, ORR, 12 September 1957 for his outstanding presentation on "The Soviet Economy". He expressed appreciation for his splendid contribution to their curriculum and commented on the enthusiastic reception of the lecture. (UNCLASSIFIED)
4. From Mr. Harold E. Stassen, Special Assistant to the President for Disarmament to DCI, 7 September 1957, expressing appreciation for the assistance given the US Delegation by the Central Intelligence Agency. The Office of Research and Reports was singled out for providing important background material in support of the disarmament negotiations. (SECRET)
5. From Director of Naval Intelligence to DCI, 3 October 1957. In this Letter of Appreciation the Director, ONI, expressed gratitude for the presentation of material given in an address by an ORR representative. He commented on the high calibre of the presentation and the interest evoked among the audience, which included the Chief of Naval Operations and his Staff. (UNCLASSIFIED)
6. From a SAC Wing Briefing Officer to Chief, D/CG/RR, October 1957. This officer stated that ORR evasion geographies are used extensively in the briefing of SAC air crew members. (SECRET)

S-E-C-R-E-T

S-E-C-R-E-T

7. From Mr. R. Gaither, Chairman of the Gaither Committee, 4 November 1957, commenting upon the value of the ORR report on Soviet Defense Expenditures. Mr. Gaither stated that the Gaither Committee could not have done its job without this report. (SECRET)
8. From Acting Assistant Chief of Staff, Intelligence, US Army to the DCI, 27 November 1957, expressing appreciation for the fine support provided by a photo intelligence project of CIA to the US Army Europe. The expeditious and efficient manner in which this information was provided on a crash basis was noted. (CONFIDENTIAL)

9.



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S-E-C-R-E-T

S-E-C-R-E-T

STATISTICAL SUMMARY OF ORR PRODUCTION
and
COORDINATED EIC REPORTS AND SURVEYS
1 January - 31 December 1957

Table 1. Reports Completed

| | <u>Category</u> | | <u>Total</u> |
|--|-----------------|-----|--------------|
| Economic Area | CIA/RR | 31 | |
| | CIA/SC/RR | 23 | |
| | PR | 14 | |
| | IM | 20 | |
| | RA | 14 | |
| | MP | 56 | |
| | SC/MP | 2 | |
| | IP | 56 | |
| | SC/IP | 8 | |
| | CSM | 107 | <u>331</u> |
| Geographic Area | G | 3 | |
| | MR | 2 | |
| | GR | 43 | |
| | G/E | 18 | |
| | G/I | 33 | |
| | GM | 2 | |
| | G/S | 11 | |
| | PIM | 2 | |
| | PIM(L) | 26 | |
| | GP/I | 15 | <u>155</u> |
| NIS Sections | Economic Area | 17 | |
| | Geographic Area | 28 | <u>45</u> |
| Coordinated EIC Reports and Surveys | EIC-R | 3 | |
| | EIC-S | 5 | |
| | EIC-WGR | 26* | |
| | EIC-P | 2 | |
| | EIC-SSC-WP | 1 | |
| 25X1B4d | ETSC-RA | 2 | <u>39</u> |
| | (FM) RA | 3 | |
| | MCB | 41 | <u>44</u> |
| Economic Defense Projects | EDIC/ID | 6 | |
| | EDIC/IR | 1 | <u>7</u> |
| | | | <u>621</u> |

* In addition an Index for 1956 was disseminated in 1957.

Attachment A

S-E-C-R-E-T

Table 2. Maps and Charts CompletedGeographic Area 1,061Table 3. Projects in Progress

| | <u>Economic</u> | <u>Geographic</u> | <u>EIC</u> |
|------------------------------------|-----------------|-------------------|------------|
| In Reproduction | 10 | 7 | 1 |
| Editorial Review | 14 | 4 | - |
| In Preparation for Reproduction | 6 | 3 | - |
| In Division for Revision | 2 | 3 | - |
| Projects Scheduled: | | | |
| Research in Progress | 238 | 63 | 12 |
| Research Pending | <u>-</u> | <u>75</u> | <u>5</u> |
| TOTAL | 270 | 155 | 18 |

Table 4. Maps and Charts in Progress

| | <u>Geographic</u> |
|-----------------|-------------------|
| In Reproduction | 56 |
| In Proof | 90 |
| In Progress | <u>267</u> |
| TOTAL | 413 |

S-E-C-R-E-T

Attachment B

ECONOMIC RESEARCH AREA
TABLE 1

Distribution of Research by Geographic Area

| <u>Area</u> | First Half Fiscal Year 1958 | | | |
|--|--|------------|--|--------------|
| | <u>Planned Distribution of MH's by Geographic Area</u> | | <u>Actual MH's Expended by Geographic Area</u> | |
| | <u>Number</u> | <u>%</u> | <u>Number</u> | <u>%</u> |
| USSR | 50,368 | 41 | 47,983 | 39.6 |
| European Satellites | 30,712 | 25 | 28,959 | 23.9 |
| Sino-Soviet Bloc Activities in the Free World | 13,514 | 11 | 7,391 | 6.1 |
| Communist Far East | 19,656 | 16 | 20,599 | 17.0 |
| Sino-Soviet Bloc | 8,600 | 7 | 16,236 | 13.4 |
| Total | <u>122,850</u> | <u>100</u> | <u>121,168</u> | <u>100.0</u> |

S-E-C-R-E-T

S-E-C-R-E-T

ECONOMIC RESEARCH AREA

TABLE 2Man-hours Applied to Project Research, Consultation, and
Support of Other CIA Components and to Other Agencies

| Consumer | <u>First Half Fiscal Year 1957</u> | | <u>First Half Fiscal Year 1958</u> | |
|---------------------------------|------------------------------------|--|------------------------------------|--|
| | Man-hours | % of Total Research & Consultation | Man-hours | % of Total Research & Consultation |
| Office of: | | | | |
| National Estimates | 24,563 | 23.2 | 20,642 | 17.0 |
| Current Intelligence | 10,161 | 9.6 | 10,596 | 8.7 |
| Scientific Intelligence | 681 | 0.6 | 540 | 0.5 |
| Deputy Director, Intelligence | 1,335 | 1.3 | 2,156 | 1.8 |
| Deputy Director, Plans | 1,629 | 1.5 | 3,438 | 2.8 |
| Basic Intelligence | 15,500 | 14.7 | 16,083 | 13.3 |
| Economic Defense Community | 608 | 0.6 | 7,267 | 6.0 |
| Economic Intelligence Committee | 6,936 | 6.6 | 8,669 | 7.2 |
| Other Agencies | <u>8,955</u> | <u>8.5</u> | <u>8,393</u> | <u>6.9</u> |
| Total Direct Support | 70,368 | 66.6 | 77,784 | 64.2 |
| Programmed Indirect Support | <u>35,282</u> | <u>33.4</u> | <u>43,384</u> | <u>35.8</u> |
| Grand Total | <u>105,650</u> | <u>100.0</u> | <u>121,168</u> | <u>100.0</u> |

S-E-C-R-E-T